



# City of Seattle

## Seattle City Light Department

### DEPARTMENT POLICY & PROCEDURE

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**Subject****LETTER OF CREDIT/CASH DEPOSIT****Number****DPP 500 P III – 426****Effective****2/27/2009****Supersedes****N/A**

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**Approved**

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#### **1.0 PURPOSE**

To establish Seattle City Light Department policy and responsibility for the application, monitoring, and collection of a letter of credit or cash deposit for new or enlarged services whose consumption is likely to be billed in a current or future year under Large or High Demand General Service rate schedules.

#### **2.0 ORGANIZATION AFFECTED**

2.1 The City Light Department

#### **3.0 REFERENCES**

3.1 Seattle Municipal Code, Section 21.49.110, paragraph X, as established in City of Seattle Ordinance 122282, or as the same may be amended or superseded.

#### **4.0 DEFINITIONS**

4.1 Service Application or Contract. Any application or contract supplied by the Department and signed by the applicant or customer requesting electric service. In the absence of a signed application or contract, the furnishing of service by the Department and acceptance by the customer shall be deemed to constitute a contract between the Department and the customer.

4.2 Customer. Any person, firm, corporation, government agency, or other entity that uses, has used, or has contracted for electric service from the Department.

- 4.3 Department. The City Light Department of the City of Seattle, its Superintendent, or any duly authorized employee thereof.
- 4.4 Service. Supply, sale, or rental of electric energy, equipment, and/or facilities by the City Light Department.
- 4.5 Large General Service. Large general service is network general service provided to customers who have in the previous calendar year half or more than half of their normal billings at 1,000 kW of maximum demand or greater, and also standard general service provided to customers who have in the previous calendar year half or more than half of their normal billings at 1,000 kW of maximum demand or greater and have more than half of their normal billings at less than 10,000 kW of maximum demand..
- 4.6 High Demand General Service. High demand general service is standard general service provided to customers who have in the previous calendar year half or more than half of their normal billings at 10,000 kW of maximum demand or greater.
- 4.7 Risk Management Division. A Division that resides under the Financial Services Business Unit of Seattle City Light.
- 4.8 General Accounting Unit. An office that resides under the Accounting Division of Seattle City Light.
- 4.9 Electric Service Engineers Unit. An office that resides under the Customer Care Division of Seattle City Light.

## **5.0 POLICY**

- 5.1 Any service applicant or customer that receives Department authorization for a new or enlarged service installation, the consumption of which could be billed in the current year or a future year under any of the Department's Large General Service or High Demand General Service rate schedules, as determined by the Department, shall be required to obtain a letter of credit in favor of the Department that is issued by a bank acceptable to the Department, or make a cash deposit with the Department, in the amount of the material and labor costs of the transformers and associated equipment (including network protectors) required for that installation before the Department approves the service for connection. The Department will make its determination of the likelihood of current or future billing under a Large or High Demand General Service rate schedule based on the size of the connected load and service size requested in the customer's application.
- 5.2 An acceptable letter of credit shall be from a bank with at least an 'A' credit rating from two or more major credit rating agencies (e.g., Moody's and S&P). Such bank rating will be reviewed at least once a year to make sure the letter of credit is in compliance with this DPP.

- 5.3 If the Department determines that, within 36 calendar months of the date of the Department's approval of the service for connection, the maximum kilowatt demand of the installation over six or more months of normal billings in a calendar reached eighty (80) percent of the maximum kilowatt demand requested by the applicant or customer, the applicant or customer shall have no obligation to pay the material and labor costs of the transformers and associated equipment (including network protectors) for the installation.
  - 5.3.1 If the applicant or customer has deposited cash, the Department shall, within thirty (30) days of such determination, refund the deposit with interest earned at the rate of interest on the City's cash pool for the period during which the deposit was held. It will be the customer's responsibility to notify the Department of the appropriate address.
  - 5.3.2 If the applicant or customer has obtained a letter of credit and the Department determines that the required kilowatt demand has been met, the Department shall so notify the applicant or customer and, upon request by same, so notify the provider of the letter of credit that the Department will not call on that letter of credit.
- 5.4 If the Department determines that, within 36 calendar months of the date of approval of service connection, the required demand has not been met, the applicant or customer shall reimburse the Department for the material and labor costs of the transformers and associated equipment (including network protectors) required for that installation.
  - 5.4.1 If the applicant or customer has deposited cash, the Department shall retain the deposit for its uses and the applicant or customer shall have no further claim to such money.
  - 5.4.2 If the applicant or customer has obtained a letter of credit, the Department shall, within thirty (30) days after such determination, bill the applicant or customer for the full amount of the letter of credit, at the address most recently provided to the Department. If such amount is not paid within thirty (30) days after the date of the invoice, the Department may call on the letter of credit.

## **6.0 RESPONSIBILITIES**

- 6.1 The Electrical Service Engineers (ESE) shall be responsible for securing a letter of credit or cash deposit from the applicant or customer in accordance with Section 4.0 for all accounts the consumption of which is expected to be billed in a current or future year under Large or High Demand General Service rates when the applicant or customer applies for a new or enlarged service installation. The amount of the letter of credit or cash deposit shall be based on the amount of the material and labor costs of the transformers and associated equipment (including network protectors) as determined by the ESE. The applicant or customer must provide the (1) letter of credit to the Risk Management Division as noted in Section 6.3, or (2) cash deposit to the General Accounting Unit per Section 6.4 before the Department approves the service for connection.

- 6.2 The Electrical Service Engineers shall be responsible for calculating the maximum demand of the installation against which the 80% standard will be applied, as described in Section 5.0.
- 6.3 The Risk Management Division shall be responsible for maintaining the letter of credit and monitoring to assure deadlines are met in accordance with Sections 5.2 and 5.3. The Risk Management Division shall, further, review all bank ratings at least once a year to insure compliance with Section 5.2 of this DPP.
- 6.4 The General Accounting Unit shall be responsible for establishing a restricted cash account for those situations where the applicant or customer makes a cash deposit. The restricted cash account would accumulate interest and be specifically identified as a cash deposit for these accounts.

## **7.0 PROCEDURE**

- 7.1 The ESE shall insure that (1) the letter of credit has been submitted to the Risk Management Division, or (2) the cash deposit has been submitted to the General Accounting Unit. Upon notification from Risk Management that the bank's rating has fallen below 'A,' the ESE shall have 30 days to insure that a new letter of credit from the customer, in accordance with Section 6.1, is submitted to the Risk Management Division. In addition, the ESE shall renegotiate a new letter of credit, or cash deposit, if the costs of installation change.
- 7.2 The Risk Management Division shall, after an annual review, notify the ESE if the bank's rating falls below 'A.'
- 7.3 In the event that a cash deposit is made by the applicant or customer, as noted in Section 5.1, the ESE shall notify the General Accounting Unit, and the General Accounting Unit shall establish a restricted cash account in accordance with Section 6.4.

## **8.0 APPENDIX**

- 8.1 Distribution: All Department Policy and Procedure Manuals.